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ABSTRACT

Every country has a system of social protection to help people when risks, contingencies, and needs arise. In each society this system is organized in three sections: a public sector, a personal sector, and a mixed sector. Each society combines these sectors in different ways. Here, the firm's social policy within the broader context of social protection in society as a whole is examined. Employer-related benefits, which comprise the social policy of the firm are analyzed and include voluntary and union contracted programs, those that are legally mandated by the state but paid for by the employer, and other activities of a social nature. A review of theories that try to account for why firms incur social costs is presented. The role of the firm within the system of social protection for society as a whole is then located. Finally, the empirical section covers three issues: the level of spending and growth of the firm's provision of social benefits; the components of voluntary and contractual benefits provided by the firm; and the distributional effects of firm-based social policy by skill mix, firm size, and industrial sector. Based on this information, the future of employer-related benefits is considered. (Nine tables and 25 footnotes are included.) (KM)

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The Social Policy of the Firm and the State

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SOCIAL POLICY OF THE FIRM AND THE STATE

Every country has a range of programs to help people when risks, contingencies and needs arise. This system of "social protection"[1] covers people who are working as well as those who are poor. In each society, social protection is organized in three sectors: a public sector, where government acts directly to administer and finance programs according to some principles of social responsibility; a personal sector where the individual assumes primary responsibility, making use of financial institutions like banks, life insurance or the real estate market; and a mixed sector conventionally referred to as the private sector, where the major actor is the firm in its role of employer but where the state also acts indirectly via its capacity to regulate, stimulate and subsidize civil society. Each society combines these sectors in different ways. In this essay, we examine the firm's social policy within the broader context of social protection in society as a whole.

Over the last decade, the political context for discourse about social policy has changed as themes of privatization and the leveling, or reduction, of public outlays have gained currency. In this new setting, the firm emerges with a new vitality and commitment as an important instrument of social policy.

The role of the firm in setting and delivering social policy however has been a neglected subject in scholarly writings about private sector social policy. Data, however, has not been the limitation. Information on private sector spending has been available from surveys in both the

United States and Europe. The more important factor accounting for the neglect of firm level social policy is not the lack of data, but a limited framework for the way to interpret the field of social policy.

The focus on the evolution of the welfare state has led to an incomplete, and therefore distorted, picture of the system of social protection. This essay attempts to correct this narrow perspective, particularly as it applied to family policy. Social protection is more than what the state does. Public and private employers, as well as individuals, also provide social protection. The firm does what the state requires of it, but it also does what it wants to do for its own purposes. Moreover, the firm does more than provide social protection, which is defined as compensation for the variety of risks that produce loss of income, such as unemployment, disability, sickness, retirement, etc. It provides for: vocational training and payments in-kind; paid non-work in the form of vacations and holidays and a range of family related policies such as child care, parental leave and elder care. When all these legally-required and non-obligatory activities are combined, they constitute the social policy of the firm. These social benefits channeled through the firm are sometimes referred to as "fringe benefits," "non-wage labor costs," or, more broadly, as "the social wage."[2]

In this paper, we concentrate on employer-related benefits, which comprise the social policy of the firm. These include: voluntary and union contracted programs called customary; those that are legally-mandated by the state, but paid for by the employer, called "statutory" in the terminology of the European community; and other activities of a social nature. The system of social protection includes concerns for employees family responsibilities. To understand the employer/government mix of family policies, we can only identify the broader social categories in which family programs are located. Unfortunately the data do not permit us to disaggregate the components of family policy for either government or the firm. As we shall see, the part it plays is in any event small when measured as percent of GNP or as a percent of labor costs. (See p.13) Contractual always refers to union negotiated agreements as contrasted with voluntary programs that the firm itself initiates. Unfortunately the published data do not permit us to separate these categories. The terms legally required, mandated and statutory are used interchangeably.

These elements of total compensation can be grouped in many different ways. Table 4 presents all of the components comprising the social policy of the firm in the broadest sense. Where we want to make the firms social spending comparable to the social protection accounts we exclude holidays and vacations, and vocational training, and we call this measure social welfare spending. We do not have a good measure of family policy because cash transfers for families are distributed in customary and statutory programs and services for families are part of the broad category called "other expenditures of a social nature."

A review is first presented of theories which try to account for why firms incur social costs. I then locate the role of the firm within the broader system of social protection for society as a whole. The empirical sections cover three issues: the level of spending and growth of the firm's provision of social benefits; the components of voluntary and contractual benefits provided by the firm; and the distributional effects of firm-based social policy by skill mix, firm size, and industrial sector. Based on this information, I speculate about the future of employer-related benefits.

THEORETICAL PERSPECTIVES

Several theoretical perspectives give an account of the consequences and/or the causes of the firm's social costs in the wage bill. We identify three major traditions for conceptualizing the social policy role of the firm in mature industrial societies: social policy, societal and economic.

The Social Policy Tradition

The social policy tradition is most clearly represented in the writings of Richard Titmuss.[3] Basically, he argues that the rapidly expanding welfare state spending by itself offers no assurance that

income equality will increase. One reason is that, when we take account of all forms of social protection that serve similar functions, not all the impacts are consistent or progressive. He singled out tax expenditures by the government and occupational benefits provided by firms as the two important neglected items that act antagonistically to the redistributive outcomes of the social policy of the state. When these benefits are combined with general public spending for social policy, there are conflicting effects on income distribution, one favoring the rich and middle class and the other favoring the poor. Tax expenditures and the occupational benefits provided by firms contributed to the growth of income inequalities. Although Titmuss called attention to the role of the firm, social policy analysts working in the Titmuss tradition neglected the study of the social policy of the firm because they felt that it offered little scope for constructively reducing income inequalities. They believe that only universal policies provided by the state can contribute to the realization of this aim.

A Societal Perspective

A societal perspective was first elaborated by Karl Polyani[4]. He argued that pure labor markets--where people were hired by the day and paid hourly for the work they performed, where the value of their wages was determined by an auction market, and where the employed competed against the unemployed--represented only a tiny share of all capitalist employment. To allow labor to be treated as a pure commodity in a competitive labor market would totally destroy society. Labor markets

have become social institutions, largely because capitalists themselves moved to decommodify labor. In most industries, they shifted the time frame of contracts and added implicit and explicit social elements. More specifically, they introduced stability into the job process. The terms of employment were lengthened and employment security became an important objective. Individuals received wages not only for the time worked, but also received wage compensation for times when workers were not actively at work due to illness, disability, and vacations. In this limited sense, the expansion of social protection benefits tended to equalize total compensation. An equalizing dimension developed because the variations in social benefits were not as great as the variations in wages. It was less acceptable to have a two-tier health care system operating within the firm than a dual wage system. Government regulation reinforced this practice and produced even more uniformity across wage categories.

The Economic Tradition

Third is the economic traditions which emphasize the special role of non-wage labor costs in development of human capital. I review this perspective more fully than the other two because the arguments in this tradition are more fully developed in the literature than the other two traditions. Central to this theory is the view that the firm enters into an implicit social contract in which younger workers get less than their marginal product, i.e., they are worth more to the firm as measured by their contribution to output and profits than they actually receive in the form of wages. But there is an implicit social understanding that,

with age and with experience, workers will become more productive as the firm's human capital investment in them begins to pay off. As these workers climb the internal mobility ladder within the firm with increased years of experience, they will get paid more than their productivity as an offset to the earlier years when they were getting paid less than they were worth. If this theory were correct we would expect to find a steep age-wage profile.

The key to this age-wage tradeoff is the firm's investment in human capital designed to improve the expected marginal value product of its workers. Vocational training and retraining programs are the obvious example of such investments, but actual work experience is also important in acquiring firm specific skills. The firm is prepared to bear most of the direct cost of providing this training and experience alone. In return, this investment ultimately improves productivity and thereby increases the firm's long-run profits. The firm at its own initiative also invests in social and recreational activities designed to imbue workers with identity and loyalty. Based on this logic, it is especially advantageous for the firm to create a set of deferred entitlement programs as a way of assuring that the workers continue to stay with the firm. The firm has a stake in reducing labor turnover, and it does so through programs, such as pension plans, which typically require many years of vesting before workers are entitled to receive full benefits. This is a way of penalizing workers who leave early. These forms of deferred fringe benefits act as a protective investment to keep workers attached to the firm.

In the United States, the scope of these private plans is enormous. According to the Department of Labor, in 1987 there were an estimated 870,000 private pension plans with over $ 1.6 trillion in assets covering about 76.6 million participants out of a labor force of over 110 million persons.[5]

Hart describes three types of human capital investment which he labels "selection," "improvement," and "protection" investments. Selection is concerned with spending for search and screening; improvement is directed at specific training, and protection is designed to safeguard the first two investments by increasing the worker's lifetime commitment to the firm.[6] Critics of the human capital argument, however, point out that while the rationale is persuasive, it is also vulnerable on a number of specific counts. Hart, in his useful study of non-wage labor costs, points out that deferred wages are not only costly, but some programs, like defined benefit plans, increase in cost as a percentage of total labor costs over time. Moreover, such deferred benefits decrease the flexibility of the firm to adjust to changing economic situations. Finally, the assumption that productivity increases with age may be wrong, as the recent work of Meadoff and Abraham suggests. Moreover, younger workers have a strong stake in wanting to stay with a firm if they are to take advantage of the implicit age-wage contract. Therefore, paying workers a premium in the form of a social wage is superfluous.

In my view, these criticisms are not decisive. If the age-wage and social-wage profiles are steeper than the age-productivity profile, then the firm will design a deferred benefit system, both to maintain

stability and to promote early retirement. In many societies, this is an important way of avoiding social conflict. Moreover, this increases the firm's flexibility to adapt to changing product demands and changes in technology, presumably because younger workers are more able to adjust to change in work organization than older workers.[7] Deferred payments are used to get rid of older workers rather than to keep them. This policy of promoting early retirement can produce a conflict between the social policy of the state and the social policy of the firm. For example, in the United States, age discrimination laws and the extension of the age of retirement in the social security system are designed to move in the direction of extending employment over the life cycle. However, current practice appears to be moving in the opposite direction. This suggests that the voluntary and contractual stake that the firm has in the paying of a social deferred wage is very high, as the American trend toward early retirement of workers 55 to 60 years of age suggests. The human capital argument and its criticism and counter criticism shed some insight into the economic justification for the social policy of the firm.

DEFINITIONS AND DATA SOURCES

The definition of "social protection"[8] includes the range of risks, contingencies and needs we associate with programs for sickness, disability, occupational, accident, or disease, old age, survivors, maternity, placement of children in foster care, vocational guidance and

resettlement, unemployment, housing, and a miscellaneous category that includes social assistance to the destitute and the poor, and a variety of other social welfare functions. There is no systematic attempt by the European Community to justify this definition. The inclusion of need as well as risk and contingency makes the definition broad and not altogether consistent. Education, often considered a central function of the welfare state, and vocational training, a similar function of firms, are specifically excluded on the assumption that it is an investment rather than a form of social protection. Also excluded are paid vacations and holidays, since these are not considered as risks, contingencies, or needs. Rainwater observes, "Although government could pay for vacations, weekly days of rest, and holidays, it does not. Leisure time is not a government social insurance program. Instead, governments may regulate or mandate its provision by the employer at his own expense, as well as regulate the length of the work day and the treatment of overtime."[9] Aside from education and compensation for leisure, almost all the needs defined in the system of social protection are provided in a parallel way by the employer and government programs.

I draw on several statistical sources in this report: The Survey of Labor Costs and the Employment Cost Index measure the social costs incurred by firms as a percentage of total labor costs in Europe and the United States respectively. The advantage in both of these labor cost surveys is that they permit us to distinguish between <u>legally-mandated</u> benefits from those which are <u>customary</u>, i.e., they were initiated by the firm either on a voluntary or a contractual basis. The firm's social welfare role for both legal and customary benefits represents only a part

of the total expenditures for social protection provided by society as a whole because the contributions of general government are excluded. To locate the role of the firm in the broader social context, I use the Social Protection accounts which provide total societal expenditures. It is possible to construct broadly comparable data for the United States from the National Income Accounts. (See Appendix for a description.)

It is difficult in practice to make sharp distinctions between those social activities that are statutory or legally mandated by the state and those that are not governmentally required. This is because many of the voluntary or contractual benefits involve governments directly and indirectly. In some countries, like France, the spending is strongly controlled by government by an elaborate system of rules and regulations which control eligibility and benefit levels. In other countries, they are the outgrowth of contractual agreement with workers, but enforceable by government. For example, in Holland mandated earnings-related private pensions exist only after a contractual agreement has been reached in a specific industry. It is best to describe such programs as neither public nor private, but "mixed." Although the government both mandates and regulates, nevertheless many features of private schemes persist and the political efforts to create a uniform national scheme have failed. About 10-20 percent of the employed population are not covered. The value of pensions varies enormously across branches of industry and by company plans. Pensions are not fully vested or portable across firms.

For these reasons it is somewhat misleading to refer to these non-legally mandated social programs as "private." Perhaps the most neutral term might be simply occupational benefits, because they depend on the job one holds within a firm.

EMPIRICAL FINDINGS

The findings are summarized around five main themes: size and growth of the firm's own social welfare; the components of social protection; distributional effects of firm-based social policy; firm size and social welfare benefits; and competitive industries and social benefits.

The Size and Growth of the Firm's Own Social Welfare

In this section I provide new estimates of the size and growth of the non-legally required social welfare obligations of the firm based on the Survey of Labor Costs and the Employment Cost Index. I computed the monetary value of non-legally required social welfare spending[10] (see footnote 2) from information on total compensation in manufacturing and services provided in the National Income Accounts. These figures are then expressed as a percent of Gross Domestic Product. The firm's social benefits are larger in the manufacturing sector as compared to the service sector only in Germany, France, Italy, and the United Kingdom. In the remaining countries social spending is larger in the service sector. We would expect that institutional factors such as the rules set out in union contracts affect the size and economic forces affect the rate of growth. Table 1 sets out the main facts.

France, Holland and the United Kingdom have the largest social welfare spending of firms, i.e., 4-5 percent of GDP in 1984. The

institutional factors are reasonably clear. Holland does not have a public earnings-related pension, but has continued the Beveridge style flat rate pension. Private firms filled the void through union contracts or their own initiative. Britain, by contrast, created a public earnings-related pension, but permitted individuals to opt out of the public scheme. In France, the boundary between legally mandated and occupational benefits is especially fuzzy because government regulates and mandates so much of the firms agreements.

The countries with low spending for firms are Germany, Belgium, Italy, and Denmark. Here the range of spending is from 1-2 percent of GDP. An institutional explanation in Germany lies in the high replacement rate of public German pensions. Denmark has an extensive means-tested program and relies on general government taxation. In Belgium and Italy the firm's own commitment is low.

What is the contribution of the firm's social welfare outlays to the total level of public and occupational social protection? In 1984, they account for between 4 and 19 percent of total social spending. Excluding these benefits does not significantly affect our estimate of social protection for Italy, Denmark, and Belgium and Germany. But in France, Holland, and the United Kingdom, between 12 to 19 percent of total spending would not be counted if we were to focus only on public sector spending.

The trends are harder to explain. In almost all countries, general government grew faster than GDP between 1978 and 1984. General government deficits as a percent of GDP were 2-3 percent in Denmark, Germany, France, and the United Kingdom; 6 percent in Holland; 12 percent

in Belgium; and 14 percent in Italy. What impact did these trends have on the growth of social protection and on the social welfare of the firm? In all countries, in this time period total social protection grew by about 10-20 percent, except in Germany where it did not change. This was a much lower growth rate than either GDP or general government spending. In three countries, the firm's own social welfare actually declined. This occurred not only in Italy and Belgium, the countries with the largest deficits, but also in Denmark where the deficit was low. In all the other countries, the firm's own obligations grew, but at a slower rate than total social protection. But why should large public deficits be associated with cutbacks in the firm's spending rather than in total social protection? When we consider this issue again by looking more explicitly at changes in the components of legally mandated and customary social welfare spending, a clearer pattern of substitution is evident.

Our data show that between 1-5 percent of GDP is spent by European firms for non-mandated social welfare. I have tried to develop an empirical measure of the role of the welfare state that is broadly comparable to the data on Social Protection Accounts in the European community. Fortunately, the National Income Accounts provide the empirical basis for a broader estimate of social spending in the private sector, general government, the military, and the state as employer. The figures for the United States are much higher (Table 2). They show that in 1986 non-legally required benefits were 7.5 percent of GDP (6 percent of GDP in the private sector firms plus 1.5 percent for public sector firms). This is the size of spending that is left out in accounts of welfare state spending.

These findings change our understanding of the role of social protection in the United States. The welfare state literature presents an image of America as a laggard in social development. By focusing on the role of the state as the agent for financing and administering social policy, this conclusion seemed self evident. The United States Department of Health and Human Services reports that in 1984 18.2 percent of GNP was spent for social welfare of which 4.1 percent was for education.[11] In other words, 14.1 percent of GNP is spent for social welfare. This proportion is about half that spent according to OECD figures for the European countries. The data we present challenge this conventional understanding and provide a rather different interpretation of the level of America's social protection. The American laggard position is an artifact arising from a narrow focus on spending by the state as a provider and the neglect of the state and local government as employer, where government social programs are substitutes for the public social security programs, and the role of the firm as an agent of social policy.

In the United States in 1986, 21 percent of GDP was directed to social protection in the public and private sector. This compares with an average of 28 percent in 1983 for a number of the European community and 23 percent for Britain. Social protection in the United States increased between 1978 and 1986 by 23 percent, using this broader definition.[12] By contrast, the level of spending in many European communities rose slowly in this period or stagnated in several countries.

This information on the level and rate of growth of social spending in the United States contrasts sharply with the persistent image of

America as a laggard welfare society, which fell even further behind the European community during the welfare cutbacks of the Reagan years. What is left out of the conventional picture is the social policy of the firm, distributing voluntary benefits, which are not legally mandated, for its workers, and the government as an employer, providing retirement, medical and sick pay to its own employees. In other words, what has been omitted is the social policy of the public and private employees. More than 30 percent of total social protection is channeled through firms in the private sector.

Another approach to place the firm in the context of societal protection is to focus on the sector or origin of current receipts for social protection. By this measure we cannot identify what part of the firm receipts is legally required and what portion is voluntary or contractual. We might expect that, as the proportion of the population employed declined, the firm's financial contributions would also decline. With fewer people at work, one would expect that the general government's contribution would increase or that households would assume a greater share of the cost.

In all the European communities, the firm directly participates in financing social protection. The firm's contribution in 1985 varies quite dramatically, from only 6 percent in Denmark, a country whose financing comes largely from general taxation, to countries like France where over 40 percent of total spending is funneled through the firm (Table 3, Panel B). In Italy, Germany, the Netherlands, and the United Kingdom, the range is much narrower, between 28 to 33 percent of total receipts. These figures make clear that a large share of social policy is work conditioned.

Consider trends over time. There is evidence to suggest that employer contributions in virtually all countries have decreased (Table 3, Panel B). There are two discernible trends: In Germany, France, and Holland, we see cost shifting away from the employer to the individual. In Italy and the United Kingdom there is evidence of a renewed willingness, despite the rhetoric, to increase government share of total costs. In some countries, the aggregate size of spending has also declined somewhat. The change in Italy is particularly striking with employers contributing 48 percent of total receipts in 1975 to only 28 percent in 1983. This suggests a significant policy shift toward decreasing the obligations of the firm and a shift of the cost to general government. Germany appears to represent a different pattern--declining government contributions and stable contributions by employers.

The Components Of Social Protection

We would expect to find that the social provision of the firm is not independent of what government does and that what the firm does is shaped by government action. The interplay between customary and statutory social benefits can be antagonistic or reinforcing. In the first case, if one sector is strong, the other is weak; in the second case, both sectors grow together. We might also expect to find that when the firm plays a large role in the whole social protection system, then some components become more salient than would be the case if the public statutory system would dominate. Finally, when the firm plays a large

role, it logically follows that work becomes a condition for entitlement and therefore, those who work will be more advantaged than those who are outside the labor market.

Both social policy and societal traditions have something indirectly to say about the interplay between statutory and customary benefits and work conditional entitlements. In this context it is useful to use the simple terminology "occupational" because it makes clear that the benefits depend on earnings at work. The implications of these theories have not been spelled out. The social policy tradition seems to have a clear preference for universal, publicly financed social protection and is opposed to occupational benefits. But the practice seems to be moving in the opposite direction. Even countries like Sweden, which are supposed to represent in practice the ideal of the social democratic vision of equality of access and provision, is moving in the direction of extending occupational benefits. The reasons are twofold: first, public schemes have a ceiling above which benefits are not paid, usually 7.5 times the base, or minimum amount. As more blue collar workers earn above the maximum, unions have pressed for firm based occupational schemes. The second reason is that unions feel the firm provides better security than the state, since political regime shifts could lead to benefit erosion.

The societal tradition is primarily concerned with the thesis that an economy is embedded in a society and therefore the economy cannot follow principles which threaten the very society that contains it. But what does this principle imply for work conditioned benefits, which tend to cover only part of those employed and exclude those non-employed ?

The parental leave bill proposed in the U.S.A. would only cover about 5 percent of all U.S. firms, which includes 39 percent of the total workforce. GAO's parental leave revised cost estimate reflects the impact of spousal leave, April 1989, GAO/HRD 89-88. This example is not atypical. Benefits cover only a part of the workforce and exclude those not at work. The effect of such a practice could widen the wage distribution across firms and inequality in the total population.

The data we have on changing components are not altogether adequate to explore these questions. They do provide a backdrop for exploring some of the issues. There are two ways to explore this theme. First, by examining the customary and statutory outlays of firms which are limited to those who are at work; and second, by taking a broader look at the societal components of protection where we cannot separate the contribution of firms from that of general government. Each source of information yields some relevant information for our concerns. The information in Tables 4 and 5 for Europe and the United States presents trends in social spending over time.

Employer Based

In all countries, we find a declining proportion of total compensation being funneled through direct remuneration and regular bonuses and a rise in non-wage labor costs. The main reason is the increasing share of labor costs directed to social welfare, which in 1984 accounts for from 15 to 34 percent of total labor costs including both

mandated and customary (i.e. voluntary-contractual) costs. When we look at the components of change, we find that in all countries total social welfare costs rose between 1966 and 1975, then leveled off in Germany and Holland, but continued to rise in France, Italy, and Belgium. Britain showed a steady rise from 1972 to 1981 and then a decline in 1984.

Disaggregating these costs into their legally-required and voluntary-contractual components yields insight into the underlying dynamics. In all the countries, when the costs in the statutory system declined, there was growth in voluntary and contractual schemes. However, where the legally-mandated programs continued to grow, as in Belgium and Italy, the cost of voluntary programs remained unchanged. This suggests the intriguing hypothesis that voluntary-contractual social welfare services act as offsets to the legally-mandated required programs. When the latter declines, the former increases. Of course, we cannot tell from these data whether the same services are provided to the same people as the idea of offsets suggests.

When we examine "other social expenditures," we see a general pattern of decline. These other expenditures of a social nature include a range of social services such as: welfare, day care nurseries and kindergarten, scholarship studies and study subsidies for employees' children, as well as recreation, health services, and cultural activities. We cannot further disaggregate the category, but it is here that family and child care programs reside. In almost all countries, except France, we see a pattern of uniform decline in the social costs of the firm for family and child care benefits. The data in Table 6 examine the components of social welfare labor costs in more detail. They show

that the firm does not, by and large, subsidize the direct provision of goods and services like day care and training. When employer-based family allowances and other customary benefits are aggregated together, everywhere they account for less than 1 percent of total labor costs.

The firm appears to invest its own resources mainly on retirement benefits in most European countries and on supplementary unemployment benefits in France. The pattern in the United States is somewhat different because the firm voluntarily decided to expand health insurance as well as have retirement and savings and thrift programs. So extensive has become the American reliance on private health insurance that states like Massachusetts have proposed legislation which would mandate health insurance to ensure that coverage is extensive. This is because any non-legally required scheme will exclude substantial numbers of workers and thus introduce the kind of inequality that the social policy school cautioned against. Health care in the United States is an example of substitution. What the public sector fails to undertake, the private sector fills in the missing gap for a defined part of the population.

One does not find in the American system of classification by function a place for maternity and family policy (including child care, family allowances, etc.). This does not mean that we do not have such programs. Indeed, we do, and their relative importance in the public debate is surely increasing. One sign of this trend toward increased interest in the subject is reflected in the decision by the United States Chamber of Commerce to include in their employee benefit survey of 1986 an item for child care. The survey reports child care as 0.6 percent of payroll, or about 0.4 percent of total compensation. The level of detail

reported in the National Income Accounts does not permit a more detailed breakdown of maternity and family policy. In Europe, these two items account for between 2 and 3 percent of GNP. Moreover, as a share of total social spending, programs for family policy have declined in all the European countries with the exception of Britain.

To determine what employers were doing in the area of child care, the Bureau of Labor Statistics conducted a special nation-wide study of about 10,000 business establishments and government agencies in the summer of 1987. Results from the survey show that direct aid for working parents is extraordinarily limited. Only about 2 percent of non-agricultural establishments actually sponsor day care centers for their workers, while an additional 3 percent provide financial assistance toward child care expenses.[13]

In the area of pensions, it appears that both sectors can grow in tandem. The lion's share of statutory and customary benefits is concentrated in these pension programs.

In economic theory a firm incurs costs for the social wage in order to enable it to retrieve its long-term fixed investment costs in hiring and training expenditures. The evidence of a substantial investment by the firm in human capital programs is not substantiated by the data. The direct human capital investments for vocational training are relatively small, less than 2 percent of total compensation and in some countries declining, while the deferred wages are the largest share and growing. The growth of costly deferred wages for social welfare is hard to justify as a rationale to protect the relatively small size of these investments. Deferred wages by the use of programs such as deferred

benefit dollar pensions is more likely to be a mechanism for reducing the labor turnover of the young, and early exit for older groups.

Table 5 reports for the United States on the percent distribution of employer costs between 1981 and 1988. For purposes of comparison with the European data, we will focus on the private sector.[14] There was considerable stability in the level of benefits as a percentage of total costs during the 1980s in the United States. This, of course, does not mean that nothing has changed. Indeed, there have been a number of visible shifts in the structure of spending. Legally-required benefits increased from 8 to 9 percent, and non-legal benefits declined from 10.8 percent to 10.0 percent. But these aggregate figures mask differences within the voluntary sector. Health insurance costs grew rapidly from 3.6 percent to 5.4 percent, while a sharp decline took place in private pensions, largely due to the over funding of defined benefit plans in the early 1980s in anticipation of increased regulatory pressure to provide an actuarily sound asset pool to draw on for future beneficiaries. Using June 1981 as an index equal to 100, there was a gradual increase in pensions to December 1984 when they grew by 11 percent, but by 1988 they had declined by 4 percent.[15] There was also a decline in life insurance, presumably because the firm was able to maintain lower rates because of fewer claims. Despite the decline in private retirement costs in 1988, more than half of all social welfare costs continued to be channeled through the private sector in the United States. This compares to between a fifth and a third in the European context. (See Table 6.) American social policy appears to follow an "equal shares" model of public and private obligations.

Societal Based

The data on European social protection (Table 3 Panel A) do not permit us to identify what portion of these components is attributable to the firm's non-obligatory spending. I have, nevertheless, included these data to give the reader a feeling for the size and distribution of the parts of social protection, even though these aggregate data do not permit us to answer the question of the firm's role in the process. An understanding of the institutional arrangements does, however, permit us to offer some meaningful observations on the firm's role (in the European community) by comparing it to the United States where richer information is available.

What is most striking for the United States is how little we spend for sick pay compared to the Europeans. In the United States, there is no general public program or legally-mandated program for sickness.[16] When the public and private (i.e. non-legally required) spending by the firm for sickness is added together, it amounts to less than 1 percent of GDP in the United States compared to 5 to 8 percent in the European community. Sick pay accounts for 3.2 percent of total social spending in the United States compared to an average of 28 percent in the European community. Moreover, in the United States, the role of sickness among full- time workers has declined from 2.1 percent in 1980 to 1.6 percent in 1985. This is part of a general decline in work time lost from 3.3 percent to 2.6 percent in this 5 year period. In every country in Europe, by contrast, the trend is moving in the opposite direction.

One explanation of the annual rate in the United States is that firms are increasingly less tolerant of absence for sickness, and their workers get the message and accommodate. Some large firms are alleged to have a policy of firing workers who have 4 or more extended sick periods during the year.

The sickness program is of particular interest because in countries like Germany and the United Kingdom there was a shift of policy away from special public sickness funds toward cost shifting to the firm. In Germany since 1979, the firm pays the whole salary for the first six weeks of sick pay directly.[17] In Britain, the firm contributions are subsidized. In both countries these programs are mandated by legislation, although in the past many firms at their own initiatives have had similar programs for white collar workers. In Germany, the legislation had the effect of extending these more generous benefits to blue collar workers. This latter trend runs against the social policy theory that employer-related benefits will expand rather than reduce inequalities.

Consider the experience with expenditures for family and child care policy. As discussed earlier we cannot disaggregate the components of "maternity" and "family" programs in the social protection account, nor of "other expenditures of a social nature" in the survey of the structure of labor costs. We know that family and child care policy is one of the programs in these two categories. Both statistical series show that [1] family programs are small, [2] they are declining over time, and [3] that the decline in total spending for family programs in the society as a whole is not offset by increases in the firms own spending for "other expenditures of a social nature."

Particularly striking is the decline in the firms spending for "other expenditures of a social nature" (see Table 4) as a percent of total labor cost. In Germany there was a uniform decline from 1.6 percent of labor costs in 1966 to 0.7 percent in 1984. In Holland the decline was from 3.2 to 2.3 percent; Italy from 1.4 to 0.3 percent. In the United Kingdom and Denmark there were also declines between 1972 and 1984, the years for which data is available.

France is the only exception. Expenditures actually increased from 1.8 percent to 2.3 percent between 1966 and 1984. In Belgium the level of spending was more erratic, and a small increase from 1.3 percent to 1.4 percent was registered for these years.

Table 3a presents data on the changing composition of social protection expressed as a percentage of total spending for 1970-1981. For the European Community as a whole the decline was from 13 to 10 percent. The only exception to this trend is the United Kingdom, where maternity and family benefits increased from 11.2 percent in 1970 to 14.0 percent in 1979, but thereafter declined to 12.6 in 1981. Still the United Kingdom is the only country with a higher share of spending in 1981 than in 1970.

A note of caution in the interpretation of these data seems appropriate. Obviously some components of family policy could be increasing even though the overall category is declining. But even more important is the exclusion of tax expenditure data. Robins notes that in the United States the tax credit for child care is the dominant form of government subsidization, accounting for over 60 percent of federal

spending in 1986. When the tax credit is excluded, federal spending for child care declined by almost 25 percent in constant dollars between 1977 and 1986.[18]

Family and child care policy may be an example of a programmatic area of dual retreat, i.e., neither sector does very much. Therefore, the potential demand for child care is very large. In the United States, "the top two future priorities for 'baby boomers' are comparable pay for women and employer-supported day care."[19] Yet the evidence seems to show that firms have not responded to this potential demand. In Europe as well, programs for maternity, family, and miscellaneous, which are the programmatic categories where child care is likely to fall, are very small. Moreover, when trends over time (not reported here) are examined, such programs as a percentage of total spending have declined everywhere except in Britain. And as we have seen, the firm's own spending for "other social expenditures," including child care, shows a general picture of decline. [INSERT 18A MISSING]

In summary, the main themes that emerge from the review of the components of non-governmental social protection are: (1) In some countries, as statutory benefits declined, they were <u>offset</u> by higher contractual outlays of the firm. This makes it important to understand who benefits from these benefits. (2) There is evidence of <u>dual retreat</u> in child care. There was a more or less uniform decline in "other social spending," which is the residual category in which child care benefits provided by the firm are found. Social protection spending for families is in decline. (3) There are examples of substitution. When the public sector does not provide a specific social benefit, the private sector may

offer it. Health care in the United States and earning-related pensions in Holland are examples. When the benefit is not mandated, many workers are left uncovered. (4) Finally, some firm's programs fail to thrive. There is very little sick pay in the United States compared to Europe (less than 1 percent vs. 5-6 percent of GDP). Sick pay is, by and large, voluntary in the United States and mandated or publicly provided in Europe.

Distributional Effects of Firm Based Social Policy

None of the theories would lead us to expect such a large variation in the role of the firm in social policy. In part the theories do not take account of institutional factors, such as attempts by government to make total wage compensation more equitable, or the strength of blue collar unions in winning favorable social protection in their wage negotiations. In part the theories are too general, i.e., they do not specify under what conditions wage equality could actually increase in some countries and widen in other countries. For example, in Germany when sick benefits at 100% replacement of wages was available for white collar workers and is then expanded to blue collar workers. In the U.S.A. full wage replacement covers only a small portion of the population and the relative costs of sick pay is reduced.

The countries with the highest percentage of general government spending for social protection (Denmark and the United Kingdom) also have the lowest non-wage labor costs for those who are at work. However, of these two countries, only Britain has relatively low hourly wage costs as

measured in ECU units of European currency relative to the other members of the European community. But the prediction of a more egalitarian society for countries that do not direct their resources through the social policy of the firm is not borne out by recent trends which show, if anything, the reverse. There has been a dramatic increase in wage inequality in Britain, much larger than that of even the United States.[20] Many factors are important to explain this phenomenon, including the strength of union membership, but it is worth noting that the 4 percent increase in social protection expenditures through the firm between 1979 and 1984 in Britain partially offset the growth of wage inequality during the 1980s. Thus, the social wage channeled through the firm does not necessarily lead to more inequality as Titmuss had projected.

The experience in Denmark, as in Britain, does not suggest that shifting social welfare costs away from firms produces more equality and sustains welfare state spending commitments. The story in brief is that a major social reform was introduced in the late 1960s. Social welfare was to be financed through general taxation, and categorical programs were to be eliminated and replaced by a general non-stigmatized income transfer scheme designed to restore individuals who met economic reverses to their previous levels of living. But the program ended up simply creating a large means-testing program.

One rationale for the reliance on general taxation was to make industry more competitive by avoiding burdening the firm with social welfare obligations. Danish firms are legally required to do very little. Therefore, whatever social welfare obligation they do incur is

voluntary or contractual.[21] Here we have an example of a country that elected to finance its social protection from general taxation with extensive use of means-tested social transfers. The social policy theory implicit in this scheme assumed that in such an environment social spending would increase and be more efficiently allocated to those in need. What did happen was quite different. Union membership in Denmark is high and supports a policy of wage solidarity. But wage drift (i.e. the difference between the actual wage received and the wage negotiated in union contracts) is higher in Denmark than other countries, leading to a growth of wage inequities. After the oil crisis in 1973, high wages contributed to a growth of unemployment levels. In 1983, 4 percent of GNP was spent for unemployment (Table 3). These high rates threatened the general means-tested approach by increasing cost. A general policy of retrenchment set in with social protection expenditures declining from 30.5 percent GDP in 1982 to 27.5 percent in 1985.

The British and Danish experience suggests that the high use of general taxation and means testing and the low reliance on social spending by the firm does not by itself assure more income equality. Since the Danish experience is clearly an outlier, in the rest of this report we focus only on the experience of the other countries.

We know that the cost of social benefits comes out of production, either directly or indirectly. Social protection is a way of allocating consumption toward socially beneficial goods. To the extent that they lower the net take home-pay of workers, they also reduce individual discretion over the choice of consumption. But given the high marginal tax rates on earning, earmarked social consumption can increase net income if the benefits are not taxed, or taxed at a lower rate.

Can we say something more directly about who benefits from the social policy spending by firms? Earlier we observed that in some countries, customary spending increases by the firm offset declines in statutory outlays. Does this lead to more or less earning equality? [INSERT 20A MISSING]

Two factors influence how any given source of income contributes to inequality: the variability of the income source and its relationship to total income. Suppose we add to the income package an income source, such as contractual employer benefits, which is more equally distributed than money wages. Even if the social benefits are positively correlated with total income, the net effect will still be a reduction of inequality.[22] To fully explore this issue we would need to know what the earning distribution would have been without contractual benefits. We do not have this information. But we can describe part of the story by looking at the cost of social benefits for manual and non-manual workers. In general, the non-manual workers often have substantially higher income; therefore, the relative value of the benefit package as a percent of total cost is lower than that of blue collar workers. How much lower depends on the value of the benefits and the differences in the income of the two groups.

How do mixed systems or systems of equal shares perform around the question of equal access to benefits? The social policy school would predict that it is the better-off workers rather than the unskilled workers who are likely to get social benefits which are contractual rather than mandatory. In Table 7 we put together data from the European community and the United States which permits us to address this question, at least in a preliminary way.

What emerges is a mixed picture. In all countries outlays for statutory programs are a higher proportion of total labor costs for manual than non-manual workers. The reason is straightforward. As Hart explains, "The vast majority of lower skilled workers receive earnings below statutory ceiling levels so the full impact of statutory payments will pertain."[23] But what Hart failed to realize was that the privileged position of non-manual workers in voluntary contractual schemes does not apply everywhere. In Germany and the United Kingdom, the size of the contractual costs received by non-manual workers is on average about twice that of the manual workers. Moreover, the evidence shows a growth of inequalities over time. In Belgium and Denmark, the differentials are even larger. On the other hand, in France, the non-manual contractual costs are only 30 percent higher, and in Italy and the United States, the non-manuals do slightly better than manuals.

Obviously, we cannot resolve the issue with such data. We need to know, for example, why manual workers appear to do well in the United States where the overall union movement is quite weak, while in Germany, with a relatively strong union movement, manual workers are unable to do better relative to white collar workers. Perhaps the white collar unions are even stronger and thus able to maintain their relative advantage over blue collar workers. A more likely interpretation is that the facts are not well known and the issue has not become politicized. Part of the explanation may be that the organization of unions is based on the industrial sector rather than white or blue collar membership. Some unions, like the metal workers, have a mix of highly skilled blue collar workers and lower manual and unskilled workers. The blue and white

collar distinction becomes less important as skilled blue collar earnings exceed those of relatively untrained white collar workers. The relative advantaged position of manual workers in the United States may be due to the degree of unionization inside and outside manufacturing. Historically, industrial unions have been able to get attractive benefit packages for non-legally required benefits. The dollar value of these benefits is equal to those of white collar workers, many of whom are in service industries where contractual fringe benefits are lower. Since white collar workers get high salaries, the relative cost of non-obligatory benefits would be lower than that of blue collar workers. We have only pointed to some evidence which runs counter to the social policy hypothesis that occupational benefits always advantage the most privileged group.

Firm Size and Social Welfare Benefits

It is widely presumed that not all firms can afford to provide social benefits and that perhaps one reason why there is so much variation across countries in the costs incurred for fringe benefits is related to the industry and firm size mix of different countries. Smaller firms cannot take advantage of the economies of scale in financing and administering insurance and pension programs, which as we have seen are the lion's share of social welfare programs. Therefore, smaller firms need to purchase these services from intermediaries because they do not have the capacity to finance and administer these programs

from their own resources. Moreover, the profit margins of small firms are smaller and the risk of bankruptcy larger than in the more established and larger firms. These arguments suggest that the voluntary-contractual obligations of small firms would be substantially different.

Unfortunately, we cannot address this issue directly from data from the European community because in the data which takes firm sizes into account we cannot separate out the contractual from the legally-required programs. All that is available is information on total indirect costs which include both social welfare costs, payment for days not worked, and other bonuses and gratuities. This is, of course, the wrong measure for our purposes, because bonuses and gratuities are part of earnings and we are interested in the non-wage component of the total labor costs. The findings are, nevertheless, informative. Table 8 shows that in every country indirect costs increase with firm size, as expected. What is surprising is that the differences are small, except for very large firms. The differences in indirect costs between very small firms (10 to 50 workers) and large firms (over 1,000) is only about 10 percent in most countries, but as high as 17 percent in the United Kingdom, and 20 percent in France (or about 9 percentage points). Firms between 50 and 1,000 incur much the same relative costs.

While there is a linear relationship between firm size and indirect labor costs, the industrial sector is even more important. The American data permit us to compare the experiences of goods-producing and service-producing industries and manufacturing and non-manufacturing. The only available data in the European survey is within the

manufacturing sector. Since sick pay in the service industry is defined by the European survey as being part of direct earnings, comparable data comparing the manufacturing and service sectors is not available. The American data show that social benefits in the goods-producing sector are 26.9 percent of wages as compared to 23.6 percent in the service sector. Legally-required benefits cost 9.5 percent of total compensation compared to 8.5 percent in the service sector. Contractual benefits cost firms 17.4 percent in the goods-producing sector and 15.1 percent in the service sector. Clearly, the industry mix is important, but not overwhelmingly so.

Competitive Industries and Social Benefits

In the European community we can isolate internationally competitive industries from those in the domestic economy. We have not attempted to pursue this question in detail, but only illustratively to examine whether there are large differences in the competitive sector between a modern industry, such as the motor vehicle industry, and a traditional industry, such as textiles. The data show for Germany, France, Italy, and the United Kingdom that customary (i.e. voluntary-contractual) benefits are much higher in the motor vehicle industry compared to textiles, but that total social welfare is about the same (Table 9). The reason statutory benefits are a higher share of compensation in the textile industry is that statutory benefits typically cover only part of the total wage bill. The textile wages ceilings are one third to three

quarters lower than in motor vehicles. This would reduce inequalities across firms on the assumption that practices within a firm are already becoming more uniform largely because of federal efforts to make fringe benefits more equitable.

Firms in which there is little social protection are likely to be concentrated in the low produce, low-wage sector in which women are employed. Mandating would thus reduce inequality across gender. Which groups will be affected by mandating will depend on the composition of the employed population in these industries.

CONCLUSIONS

We have provided evidence to show that employer-related benefits grew in the United States and some European countries, offsetting declines or leveling in general government spending. In the United States, more than about 30 percent of all social policy expenditures are channeled through employer-provided, non-legally obligatory social welfare programs. These represent about 7.5 percent of GDP.

In the past, the social policy of the firm has been neglected as attention was focused on the evolution of the welfare state. But recently a frame shift has taken place with many political and academic actors now turning to the firm as a possible arena for the expansion of social welfare programs, especially in the area of working families. One idea in good currency is that the state should mandate firms to develop social programs. What conclusions about the relationship between social

policy spending by firms and competitive position as measured by share of world markets can be drawn from these data? Italy is the most competitive country in textiles and Germany and France in motor vehicles. But these countries do not have the lowest spending for social benefits. On the contrary Italy has the highest proportion of total labor costs allocated for social policy in the countries we studied, while Germany and France have a middle position.

These data support three conclusions: both in traditional (textile) and modern (automobile) industries, the variation in firm spending for social policy by country is very wide (more than 2:1). Non-legally required social spending is higher in motor vehicles than textiles, but total social spending within a country across these industries are similar. The most competitive countries are not the low spenders. Hence social policy spending does not threaten an industry's share of world markets. At the same time imposing a uniform burden on all firms should, in principle, not affect their competitive position. Of course, a corollary of the mandating approach is that it makes the provision of social protection work conditioned, i.e., that work becomes a precondition for determining entitlement to benefits.

Whatever limitations an extended social policy of the firm has, the reframing of social policy is now so widely accepted that further developments are likely in this area. This trend does not mean that the firm can and should enter all areas of social policy. I want to argue that, from the data presented in this paper, the firm should expand its social welfare commitment in areas that are consistent with its interest as reflected by its past performance. One indicator of this interest is

the kind of social policy firms have historically committed themselves to when they have voluntarily entered into the provision of such benefits. Both in the United States and Europe, day care and nursery programs are a very small part of what firms do on a contractual basis. In general, firms are not actively involved in the provision of services. Even services like vocational training, which are so central to the human capital argument about why the firm incurs such voluntary costs, account for only a very small fraction of spending. Moreover, spending over time for vocational training has been level in most countries and declined in others.

One of the firm's unique roles is in developing a flexible relationship between wage payments and work time. While some disagreement exists about whether holidays and vacations should be viewed as part of the social policy of the firm concerning working time and leisure, this is nevertheless an area in which the firms costs are almost as large as those incurred for legally required benefits (7 vs. 8 percent of total labor costs). What I would like to propose is a refocusing of family policy which is consistent with this idea. This would involve the expansion or creation of programs for parental leave, for sick leave, for training leave, leave for the care of a sick child, vacations, and holidays. In practice, paid non-work is a mixture of mandated and legally-required programs. The state requires the firm to provide time off for legal holidays, and in most countries some form of sick pay or sick benefit is mandated by the state, but the financing can be wholly incurred by the firm. Sick pay is a good example of a kind of social program which is best done through the firm rather than through

the state. In almost all countries, when the state sets up a sick fund and provides sickness benefits, the benefits tend to be only a portion of the previous wage. By contrast, private sick pay tends to be 100 percent of the current wage.

How can sick pay arrangements be extended in a way that is most consistent with what firms traditionally have done? One example is policies which provide for extended parental leave for the care of sick children as well as in the period following child birth. A similar argument concerning paid non-work could be extended in the area of training. Perhaps it is better to provide individuals with training leaves rather than for the firm to sponsor the vocational training program itself. This view could, of course, be expanded to take account of the firm's interest in deferred benefits; thus, workers that stay with a firm for a long period of time would be entitled to take time away from the firm for recurrent education. Individuals should be given the opportunity to retool their skills continuously over their lifetime. This can be interpreted as a family policy because it takes a life course perspective from the individual's point of view.

I think it is worth exploring the redefinition of a family policy which gives attention to the area of paid non-work rather than the area of direct provision of services by the firm for day care. Concretely this could mean more vacation time for individuals to spend with their families; a shorter work week, again providing more family and parenting time; an expansion of sick leave to include care of a sick child and recovery from a maternity period; and finally, more paid leave for re-skilling defined broadly to include the European concept of a recurrent education over the life cycle.

APPENDIX

The main data source on labor costs is based on a national questionnaire developed by the European Statistical Office and includes all firms in all industries with 10 or more employees in the private sector. The data are further cross classified by skill as measured by manual workers and non-manual workers (including foremen, supervisory staff, engineers, management executives and managerial staff). Apprentices and those in training are treated as a separate category. The data are expressed as a percentage of average hourly cost for manual and non-manual workers combined.[24]

For the United States we made use of the Employment Cost Index which measures the rate of change in employee compensation which includes, in addition to wages and salaries, employee benefits for paid leave; insurance (life insurance, health benefits, and sickness and accident insurance); pension and saving plans; legally-required benefits; and other benefits, including severance pay and supplemental unemployment benefits. This is a survey of 3600 establishments. In each establishment, 5 occupations on average were selected on a probability sample basis to represent all the occupations in the establishment. These establishments were selected to represent the entire population of private, non-farm establishments of all sizes. Information on state and local government is also reported, but no survey was done for the federal government.

The 1980 occupational weights are used for later years. If there has been a change in the distribution of occupation after 1980, the data in the later years would not be representative of all occupations in the

economy. It is believed that the use of fixed weighting procedures does not contribute to a significant source of error.[25] We have made use of unpublished data provided us by the Bureau of Labor Statistics which permits us to compare trends over time between 1980 and 1988. Since the European data includes firms of 10 and over, whereas the American data are designed to represent all industries, there is some degree of non-comparability between these two surveys.

FOOTNOTES

1. Social protection is formally defined as, "Any expenditure involved in meeting costs incurred by individuals or households as the result of certain risks, contingencies, or needs. This expenditure gives rise to the intervention of a third party, without any simultaneous intervention by the beneficiary." Statistical Office of the European Community, Eurostat, 1981.

   The definition is intended to focus on the provision of resources that are social rather than economic or market based.

2. Let us briefly define the main terms employed by the Eurostat. Statutory or legally required contributions: sickness, maternity, disability, retirement and unemployment insurance; guaranteed sick pay; insurance against industrial accidents and occupational diseases; family allowances; other. Customary (contractual or voluntary agreements): insurance paid by the firm; supplementary retirement insurance; contractual or voluntary sick or accident pay, supplementary unemployment insurance; contractual additional family benefits and other family allowances, and others. There are 4 other categories we include in our definition of social policy: paid non-work which includes vacations and holidays; vocational training; other expenditures of a social nature; payments in kind for housing, food, drink, footwear, clothing, etc. We define social welfare as comprising three programs: statutory, customary and other expenditures of a social nature. We define social policy as

including social welfare and paid non-work and vocational training. Customary programs are sometimes referred to as private or occupational benefits, or not legally required.

3. Richard Titmuss, "The Social Division of Welfare: Some Reflections on the Search for Equity" in Essays on the Welfare State (New Haven, Connecticut: Yale University Press, 1956), 34-55.
4. Karl Polyani, The Great Transformation.
5. Labor and IRS Enforcement of the Employee Retirement Economic Security Act, (January 1989), 2.
6. Robert A. Hart, The Economics of Non-Wage Labour Costs (London: George Allen & Unwin, 1984), 40.
7. Martin Kohli and Martin Rein, eds. Time for Retirement, Cambridge University Press (forthcoming, 1990).
8. See footnote 1 for a formal definition.
9. Lee Rainwater, "The Growth of Social Protection in the United States, 1929-1979" in Gail W. Lapidus and Guy E. Swanson eds., States and Welfare, USA/USSR (Berkeley, California: University of California Press, 1988), p. 285.
10. "The Survey of Labor Costs" provides information on monthly labor costs in manufacturing, and the percent of these costs spent by firms for non-legally required social welfare. I excluded from these calculations vocational training and paid vacations and holidays in order to make the figures as comparable to the social protection data as is possible.
11. Office of Research and Statistics Note No. 1, January 1987, Table 1. United States Department of Health and Human Services.

12. The data for 1978 are presented in Lee Rainwater's paper.

13. Howard V. Haygag, "Employers and Child Care: What Roles Do They Play?" Monthly Labor Review, (September 1988), 38.

14. Data for the private sector and state and local government and the civilian population as a whole are presented for both of these years. The higher hourly wage costs found in state and local government compared to the private sector are largely due to the different occupational mixes in the two sectors.

15. For a fuller discussion, see Bradley R. Braden, "Increases in Employer Costs for Employee Benefits Dampen Dramatically." Monthly Labor Review, July 1988.

16. Nor does the U.S. have a developed policy for other forms of paid leave. Discussion about parental leave to care for children or a seriously ill spouse is limited to workers who are on unpaid leave. It is the cost of health care fringe benefits rather than payment of earnings when on leave that is at issue.

17. Ellen Immergut, "Between State and Market: Sickness Benefits and Social Control," in Martin Rein and Lee Rainwater (ed.) Public/Private Interplay in Social Protection: A Comparative Story (New York: M.E. Sharpe, Inc., 1986).

18. Philip K. Robins, "Federal Support for Child Care: Current Policies and a Proposed New System" Focus 11(2), Summer, 1988, p.4. (A publication of the University of Wisconsin-Madison, Institute for Research on Poverty)

19. "Post Yuppie America," Mother Jones (February 1989), 17.

20. Richard Freeman, "Are British Wages Unresponsive to Market Forces?" Seminar handout, February 1987. Xerox.

21. The Danish data are difficult to interpret. Table 3 shows that 6 percent of labor costs are spent on social welfare and only 2 percent of these costs is voluntary. Table 1 shows that 5 percent of GDP is directed through firms on a non-legally required basis.

22. Robert Lerman and Shlomo Yitzhani, "Income Inequality Effects by Income Source: A New Approach and Applications to the United States," The Review of Economics and Statistics 67 (1):151-156. (February 1985)

23. Bob Hart, p. 40.

24. "Labor Costs in Industry." Eurostat Luxembourg: Statistical Office of the European Communities, Data for 1978, 1981, and 1984 came in the form of a magnetic tape with microfiche. When there were inconsistencies between the magnetic tape version and the microfiche data, we made use of the microfiche data. The number of establishments covered by the survey varied for each country, but were designed to be representative for the country as a whole. A more detailed description of these data sources is found in Robert A. Hart, The Economics of Non-Wage Labour Costs. (London: George Allen & Unwin). See especially Chapter 2, "The Structure of Non-Wage Labour costs: Definitions and Distinctions."

25. "Employment Cost Index," Bureau of Labor Statistics Handbook of Methods Bulletin (Washington, DC: U.S. Department of Labor, 1985), 53-60.

TABLE 1 Level and Trends of the Social Welfare Spending of the Firm

PANEL A. NON-LEGALLY REQUIRED SOCIAL WELFARE COSTS AS A PERCENTAGE OF GDP IN MANUFACTURING AND SERVICE, 1984

NON-LEGALLY REQUIRED SOCIAL COSTS	GERMANY	FRANCE	ITALY	NL	BELGIUM	UK	DENMARK
Manufacturing	1.6	3.6	0.9	1.5	0.6	2.6	0.5
Service	0.6	1.8	0.1	2.6	0.9	2.0	0.6
Total Non-Legal	2.2	5.4	1.0	4.1	1.5	4.6	1.1
Soc Protect as % of GDP	29.1	28.5	23.3	33.7	29.4	24.1	28.7
Non-legal as % of Total	7.6	18.9	4.3	12.2	5.1	19.1	3.8

PANEL B. CHANGES IN NON-LEGALLY REQUIRED SOCIAL WELFARE, GDP, GENERAL GOVERNMENT EXPENDITURES AND TOTAL SOCIAL PROTECTION, 1978-1984.

	GDP	GENERAL GOVT	SOCIAL PROTECT	FIRMS OWN SOC WEL
	(Rate of Change between 1978-84)			
Germany	1.37	1.35	1.00	1.32
France	2.00	2.33	1.17	1.13
Italy	2.80	3.52	1.15	-.4
Holland	1.40	1.44	1.17	1.13
Belgium	1.48	1.65	1.11	-.13
UK	1.90	2.11	1.19	1.08
Denmark	1.80	2.17	1.10	-.12

SOURCE: Social Protection, Current Expenditures and Receipts, 1970-85
Eurostat, June 1988
"Survey of Labor Costs in the European Community" Tapes and Microfiche
Social welfare costs include customary spending and "other expenditures of a "social nature."

TABLE 2. SOCIAL SPENDING IN THE UNITED STATES (1986)

MILITARY	Billion $	% GDP	% Distribution
Fed. retire	17.900	0.43	
Vet life ins	1.700	0.04	
Mil med ins	0.800	0.02	
Vet benefits	14.900	0.35	
Total	35.300	0.84	4.11
GOVT AS EMPLOYER			
Fed. retire	24.400	0.58	
St & local retire	28.800	0.69	
Sick pay	10.500	0.25	
Total	63.700	1.52	7.43
GEN GOVT TRANSFERS			
Retire & disability	201.300	4.79	
Hospitals	75.600	1.80	
Unemployment	16.500	0.39	
Workers comp	5.100	0.12	
Public welfare	103.300	2.46	
Ed & training	4.500	0.11	
Other	1.300	0.03	
Total	407.600	9.70	47.41
GEN GOVT GOODS & SER			
Hospitals	58.837	1.40	
Welfare	24.044	0.60	
Ed & Training	4.658	0.10	
Vets	10.812	0.30	
Housing	1.100		
Total	99.451	2.40	11.73
PRIVATE BENEFITS			
Pension & grp life	103.682	2.50	
Health	113.920	2.70	
Supp unemp	0.488	-	
Workers comp	17.465	0.40	
Sick pay	16.700	0.40	
Total	252.255	6.00	29.33
TOTAL	858.306	20.46	
GDP	4201.300	20.50	100.00

Source: National Income Accounts - Tables 3.11, 3.15, 3.16, 6.13
Survey of Current Business, US Dept. of Commerce, Bureau of Economic Analysis, Vol. 67, No. 7, July 1987

a:table3
3/6/89

TABLE 3. SOCIAL SPENDING LEVELS AND RECEIPTS

PANEL A. SOCIAL PROTECTION AS A PERCENT OF GDP IN 1983

	GERMANY	ITALY	FRANCE	NL	UK	DENMARK
SICKNESS	7.2	5.7	6.7	8.4	4.6	7.1
INVALIDITY-DISABILITY	2.8	4.8	1.5	6.0	2.0	2.4
OCC ACCIDENTS & DISEASES	0.9	0.6	0.8	--	0.2	0.2
OLD AGE	8.0	8.9	9.2	8.8	9.2	10.3
SURVIVORS	3.8	2.6	1.9	1.5	0.4	0.1
MATERNITY	0.2	0.2	0.5	0.1	0.3	0.3
FAMILY	1.9	1.8	2.6	2.6	2.4	2.8
PLACEMNT, VOC GUIDE, RESETTLE	0.3	--	1.7	--	0.3	1.1
UNEMPLOYMENT	1.7	0.8	2.7	4.2	2.3	4.2
HOUSING	0.2	--	0.7	0.5	0.8	0.4
MISCELLANEOUS	0.6	--	0.3	0.6	0.2	.2
TOTAL BENEFITS	27.6	25.4	28.6	32.7	22.7	30.1

PANEL B. STRUCTURE OF SOCIAL PROTECTION RECEIPTS (AS A PERCENT OF TOTAL) (1985)

	GERMANY	ITALY	FRANCE	NL	UK	DENMARK
EMPLOYERS	32.9	27.6	40.3	30.9	29.7	6.2
PROTECTED PERSONS	30.7	28.8	24.0	36.8	16.9	4.2
GOVERNMENT	32.5	43.3	32.4	31.6	53.3	81.5
OTHER	3.9	0.3	3.2	0.8	0.0	8.0

STRUCTURE OF SOCIAL PROTECTION RECEIPTS (AS A PERCENT OF TOTAL) (1980)

EMPLOYERS	34.6	33.9	44.5	34.1	32.0	5.5
PROTECTED PERSONS	29.6	28.6	25.7	31.4	14.7	2.1
GOVERNMENT	35.3	37.1	29.8	33.9	53.4	87.7
OTHER	0.6	0.4	0.1	0.6	0.0	4.6

STRUCTURE OF SOCIAL PROTECTION RECEIPTS (AS A PERCENT OF TOTAL) (1975)

EMPLOYERS	32.6	47.5	46.7	35.0	33.5	5.9
PROTECTED PERSONS	28.7	28.7	21.5	34.3	16.7	1.6
GOVERNMENT	38.0	23.3	31.7	30.2	49.8	89.5
OTHER	0.7	0.5	0.1	0.5	0.0	3.0

(1) OECD Social Expenditure (without Education) minus Total Social Protection Benefits

Source: Population and Social Conditions, Eurostat, Series F, Rapid Reports, Social Protection, 1986. Receipts refers to the sources of financing and expenditures to the level of spending, but in practice spending can be higher or lower than receipts.

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Table 3a Structure of Social Protection as a Percentage of Total Spending 1970-1981

	Germany	France	Italy	The Nether-lands	Belgium	Luxem-bourg	United Kingdom	Ireland	Denmark	Euro 9
					Sickness					
1970	27.7	26.9	23.5*	29.8	22.1	17.7	28.1	30.8	29.6	27.3*
1975	28.0	27.6	23.8	30.1	22.6	23.1	25.3	36.2	30.1	27.0
1978	28.3	26.4	22.4	29.6	22.4	23.3	24.1	34.3	29.8	26.5
1979	28.9	26.1	23.1	29.2	21.8	23.2	23.3	35.8	28.6	26.5
1980	29.2	25.2	23.2	29.1	22.1	23.6	22.8	36.0	27.7	26.2
1981	28.6	25.4	23.0	27.8	21.3	23.2	21.2	33.8	25.6	25.2
					Invalidity					
1970	8.7	5.5	16.8*	12.1	8.6	11.9	7.8	9.3	12.8	8.6*
1975	7.2	5.1	18.4	16.2	8.7	10.9	8.7	5.3	11.5	9.1
1978	8.3	5.5	20.5	19.4	8.9	12.1	8.8	6.3	10.4	10.0
1979	8.4	5.6	20.0	19.8	8.9	12.4	8.9	6.6	10.0	10.0
1980	8.3	5.7	20.3	19.9	9.0	13.1	8.8	6.4	8.7	10.1
1981	8.0	5.6	19.4	19.8	8.9	13.5	8.5	6.1	8.4	9.9
					Occupational Accidents and Disease					
1970	3.9	4.4	3.4*	-	4.1	7.1	0.8	0.4	1.5	3.2*
1975	3.1	4.0	2.6	-	3.6	5.9	1.6	0.6	0.8	2.8
1978	3.3	3.8	2.6	-	3.4	4.3	1.3	0.6	0.8	2.7
1979	3.4	3.6	2.4	-	3.3	4.4	1.3	0.5	0.7	2.7
1980	3.3	3.4	2.5	-	3.2	4.0	1.2	0.5	0.7	2.6
1981	3.1	3.3	2.5	-	3.0	4.1	1.1	0.4	0.6	2.4
					Old Age					
1970	28.3	33.9	31.1*	33.9	26.4	33.4	47.8	27.9	35.8	33.0*
1975	30.3	35.5	31.8	29.4	26.5	32.6	43.0	25.0	32.6	33.2
1978	30.2	35.5	34.1	28.5	25.8	31.0	42.6	27.7	32.6	33.2
1979	29.6	35.1	34.2	27.8	26.3	30.8	42.1	26.4	35.2	33.0
1980	29.3	34.9	33.9	28.2	26.2	30.4	40.6	26.4	36.2	33.0
1981	29.3	34.3	33.2	27.7	26.3	30.4	40.2	26.1	35.6	32.9
					Survivors					
1970	17.3	7.2	8.1*	6.5	14.2	17.5	0.9	6.7	1.0	9.7*
1975	13.7	6.4	7.9	5.5	13.3	17.4	3.0	5.5	0.7	8.9
1978	14.4	6.8	9.8	5.1	12.5	18.1	2.5	5.6	0.6	9.4
1979	14.2	7.1	9.7	4.9	12.4	17.9	2.4	5.6	0.6	9.2
1980	14.0	7.1	9.6	4.8	12.5	17.4	2.2	6.8	0.5	8.8
1981	13.5	6.9	10.0	4.7	12.2	17.4	2.0	6.9	0.5	8.4

Table 3a Continued

	Germany	France	Italy	The Netherlands	Belgium	Luxembourg	United Kingdom	Ireland	Denmark	Euro 9
					Maternity and Family					
1970	10.2	16.8	13.3*	14.0	20.0	11.8	11.2	17.0	14.3	12.9*
1975	9.6	14.4	12.5	10.8	15.9	9.7	10.7	13.2	12.5	11.6
1978	8.4	12.8	8.4	9.6	14.2	9.0	12.8	11.4	11.0	10.4
1979	8.5	12.7	7.8	9.5	13.3	8.8	14.6	11.3	10.9	10.6
1980	8.4	12.6	8.0	9.6	12.4	9.3	13.1	10.9	11.2	10.5
1981	8.4	12.1	9.0	9.2	11.9	9.3	12.6	11.4	11.2	10.4
					Unemployment					
1970	0.5	1.8	1.1*	3.3	3.5	0.0	2.4	2.9	2.2	1.5*
1975	4.5	3.7	2.2	6.3	7.8	0.2	5.6	10.2	9.7	4.6
1978	3.3	5.3	2.3	5.8	10.5	1.6	5.7	9.2	12.4	4.8
1979	3.2	6.1	2.5	6.8	10.7	1.9	5.5	7.7	10.7	5.0
1980	3.3	6.6	2.4	6.3	11.3	1.8	8.5	8.2	11.2	5.6
1981	5.0	8.5	2.8	8.8	13.4	1.9	11.1	10.0	14.0	7.5
					Other Benefits					
1970	3.4	3.5	2.7*	0.3	1.2	0.6	1.0	5.1	2.6	3.8*
1975	3.7	3.4	0.7	1.7	1.4	0.3	2.1	4.1	2.0	2.8
1978	3.6	3.9	0.4	2.1	2.4	0.5	2.1	4.9	2.5	3.0
1979	3.8	3.7	0.3	2.1	3.2	0.5	2.0	6.0	3.3	3.0
1980	4.2	4.5	0.2	2.1	3.4	0.4	2.7	4.7	3.7	3.2
1981	4.0	3.9	0.1	2.2	3.0	0.4	3.2	5.2	4.1	3.3

SOURCE: Social Indicators from the European Community, Eurostat (1984).
* Clarify

TABLE 4. STRUCTURE OF LABOR COSTS AS PERCENT OF TOTAL COSTS

GERMANY

ALL INDUSTRIES	1966	1969	1972	1975	1978	1981	1984
DIRECT EARNING & REG BONUSES	69.4	68.1	66.4	62.6	59.4	57.6	56.5
OTHER BONUSES & GRATUITIES	3.4	4.0	4.0	4.5	8.0	8.5	8.6
TOTAL DIRECT REMUNERATION	72.8	72.1	70.4	67.1	67.4	66.1	65.1
PAY FOR DAYS NOT WORKED	9.5	10.2	10.6	12.8	10.5	11.3	11.4
PAYMENT IN KIND	0.7	0.6	0.4	0.5	0.2	0.2	0.2
TOTAL S.W. EXPENDITURE	14.3	14.7	16.8	17.7	20.0	20.2	21.0
STATUTORY SW	11.0	11.7	15.0	16.0	16.6	16.6	16.4
CUSTOMARY SW	3.3	3.1	1.7	1.7	3.4	3.6	4.6
OTHER EXP OF SOCIAL NATURE	1.6	1.5	0.9	1.0	0.6	0.8	0.7
VOCATIONAL TRAINING	1.0	1.0	0.9	1.1	1.2	1.5	1.6
SUBSIDIES & TAXES					0.1	0.1	0.0
TOTAL SOCIAL BENEFITS	27.1	28.0	29.6	33.1	32.6	34.1	34.9

NETHERLANDS

ALL INDUSTRIES	1966	1969	1972	1975	1978	1981	1984
DIRECT EARNING & REG BONUSES	63.9	61.1	60.4	57.2	56.9	56.9	56.1
OTHER BONUSES & GRATUITIES	4.0	4.4	3.9	3.3	8.8	7.5	7.1
TOTAL DIRECT REMUNERATION	67.9	65.5	64.3	60.5	65.7	64.4	63.2
PAY FOR DAYS NOT WORKED	10.3	10.8	11.9	13.3	7.7	8.3	9.6
PAYMENT IN KIND	0.8	0.5	0.6	0.3	0.2	0.2	0.1
TOTAL S.W. EXPENDITURE	16.7	19.1	20.0	23.1	24.1	24.2	24.4
STATUTORY SW	10.9	13.4	14.1	16.7	17.3	17.3	16.3
CUSTOMARY SW	5.8	5.6	5.9	6.5	6.9	6.9	8.1
OTHER EXP OF SOCIAL NATURE	3.2	3.2	2.5	2.1	1.9	2.3	2.3
VOCATIONAL TRAINING	1.1	1.0	0.8	0.6	0.5	0.6	0.4
SUBSIDIES & TAXES					0.1	0.0	0.0
TOTAL SOCIAL BENEFITS	32.1	34.6	35.8	39.4	34.5	35.6	36.8

FRANCE

ALL INDUSTRIES	1966	1969	1972	1975	1978	1981	1984
DIRECT EARNING & REG BONUSES	59.7	61.0	60.2	57.5	56.2	55.6	52.5
OTHER BONUSES & GRATUITIES	3.5	3.5	3.5	4.1	5.3	5.2	5.0
TOTAL DIRECT REMUNERATION	63.2	64.5	63.7	61.6	61.5	60.8	57.5
PAY FOR DAYS NOT WORKED	7.4	8.2	8.3	9.3	8.1	8.1	9.4
PAYMENT IN KIND	1.7	1.6	1.2	1.2	1.0	1.1	1.2
TOTAL S.W. EXPENDITURE	21.7	23.3	23.6	24.4	25.8	26.5	28.1
STATUTORY SW	18.5	19.3	19.3	18.3	19.5	18.9	19.4
CUSTOMARY SW	3.2	4.0	4.3	6.2	6.3	7.6	8.7
OTHER EXP OF SOCIAL NATURE	1.8	1.7	1.6	2.1	2.2	2.0	2.3
VOCATIONAL TRAINING	0.7	0.7	1.3	1.4	1.4	1.5	1.6
SUBSIDIES & TAXES					0.0	0.0	0.0
TOTAL SOCIAL BENEFITS	33.3	35.5	36.0	38.4	38.5	39.2	42.6

ITALY

ALL INDUSTRIES	1966	1969	1972	1975	1978	1981	1984
DIRECT EARNING & REG BONUSES	55.8	53.6	53.4	49.9	52.1	54.2	53.7
OTHER BONUSES & GRATUITIES	7.1	7.3	8.2	8.3	8.3	8.9	8.0
TOTAL DIRECT REMUNERATION	62.9	60.9	61.6	58.2	60.4	63.1	61.7
PAY FOR DAYS NOT WORKED	9.0	8.9	9.9	11.8	10.2	10.1	10.9
PAYMENT IN KIND	0.3	0.2	0.2	0.6	0.2	0.2	0.3
TOTAL S.W. EXPENDITURE	24.8	27.6	26.3	28.0	32.1	33.4	33.5
STATUTORY SW	23.9	27.0	25.7	27.4	26.2	31.8	32.2
CUSTOMARY SW	0.9	0.6	0.5	0.6	1.5	1.6	1.3
OTHER EXP OF SOCIAL NATURE	1.4	1.1	1.1	1.2	0.6	0.7	0.3
VOCATIONAL TRAINING	1.1	0.9	0.5	0.3	0.4	0.6	0.3
SUBSIDIES & TAXES					0.5	0.5	8.6
TOTAL SOCIAL BENEFITS	36.6	38.7	38.0	41.9	44.0	45.5	53.9

TABLE 4 (CONTINUED)

BELGIUM							
ALL INDUSTRIES	1966	1969	1972	1975	1978	1981	1984
DIRECT EARNING & REG BONUSES	65.1	63.4	60.7	57.7	57.4	56.4	54.9
OTHER BONUSES & GRATUITIES	3.6	4.0	4.4	5.0	8.5	9.8	10.9
TOTAL DIRECT REMUNERATION	68.7	67.4	65.1	62.7	65.9	66.2	65.8
PAY FOR DAYS NOT WORKED	10.2	11.3	12.4	12.8	9.6	9.2	9.1
PAYMENT IN KIND	0.6	0.4	0.3	0.2	0.2	0.2	0.1
TOTAL S.W. EXPENDITURE	19.1	19.6	20.7	22.2	22.2	22.3	24.0
STATUTORY SW	17.8	18.3	19.5	20.8	20.4	20.1	22.5
CUSTOMARY SW	1.3	1.3	1.2	1.5	1.8	2.1	1.4
OTHER EXP OF SOCIAL NATURE	1.3	1.1	1.3	1.6	1.4	1.6	1.4
VOCATIONAL TRAINING	0.2	0.2	0.3	0.3	0.3	0.4	0.4
SUBSIDIES & TAXES					0.0	0.1	1.0
TOTAL SOCIAL BENEFITS	31.4	32.6	35.0	37.1	33.7	33.8	36.0

UNITED KINGDOM							
ALL INDUSTRIES	1966	1969	1972	1975	1978	1981	1984
DIRECT EARNING & REG BONUSES			79.7	75.9	72.3	69.3	71.3
OTHER BONUSES & GRATUITIES			0.9	0.8	1.1	1.0	1.1
TOTAL DIRECT REMUNERATION			80.6	76.7	73.4	70.3	72.4
PAY FOR DAYS NOT WORKED			7.8	8.9	8.3	10.4	10.4
PAYMENT IN KIND			0.4	0.4	0.3	0.4	0.2
TOTAL S.W. EXPENDITURE			9.3	12.0	15.1	16.2	14.6
STATUTORY SW			5.4	6.8	8.9	9.4	7.6
CUSTOMARY SW			4.0	5.2	6.3	6.8	7.0
OTHER EXP OF SOCIAL NATURE			1.3	1.2	1.3	1.2	1.2
VOCATIONAL TRAINING			1.0	1.7	1.9	2.0	1.5
SUBSIDIES & TAXES					0.4	0.4	0.1
TOTAL SOCIAL BENEFITS			19.8	24.2	27.3	30.6	28.0

DENMARK							
ALL INDUSTRIES	1966	1969	1972	1975	1978	1981	1984
DIRECT EARNING & REG BONUSES			81.4	81.2	86.5	85.4	83.6
OTHER BONUSES & GRATUITIES			-	1.0	0.7	0.7	0.7
TOTAL DIRECT REMUNERATION			81.4	82.2	87.2	86.1	84.3
PAY FOR DAYS NOT WORKED			10.2	11.2	7.1	8.2	8.0
PAYMENT IN KIND			0.2	0.1	0.1	0.1	0.1
TOTAL S.W. EXPENDITURE			4.8	5.0	4.1	3.8	5.7
STATUTORY SW			3.1	2.9	2.7	2.6	4.6
CUSTOMARY SW			1.7	2.1	1.4	1.2	1.1
OTHER EXP OF SOCIAL NATURE			2.1	0.6	0.3	0.3	0.4
VOCATIONAL TRAINING			1.4	1.6	1.4	1.6	1.9
SUBSIDIES & TAXES					0.1	0.2	0.3
TOTAL SOCIAL BENEFITS			18.7	18.5	13.1	14.2	16.4

Source: Unpublished Microfiche and Tape. Survey of Labor Costs, Prepared by the Statistical Office of the European Communities, 1978, 1981, 1984

Published Tables, Survey of Labor Costs, Table 72, NACE - B, "The Structure of Labor Costs As Percent of Total Costs"

*There appears to be an error in the microfiche in the reporting of the category "other statutory social expenditure." I have ommitted the reported entry.

TABLE 5 DETAILED 1981 AND 1988 U.S. EMPLOYER COSTS PERR FOR EMPLOYEE COMPENSATION AND COSTS AS A PERCENT OF TOTAL COMPENSATION, PRIVATE AND PUBLIC SECTORS

Compensation component	1981			1988		
	Civilian	% Distribution Private	State & Local	Civilian	% Distribution Private	State & Local
Paid leave	7.39	7.26	7.95	7.29	7.10	8.07
Vacation pay	3.55	3.75	2.54	3.38	3.57	2.63
Holiday pay	2.49	2.45	2.66	2.46	2.41	2.67
Sick leave pay	0.98	0.73	2.16	1.10	0.83	2.14
Other leave pay	0.39	0.33	0.59	0.35	0.28	0.62
Insurance	4.57	4.66	3.74	6.01	6.01	6.02
Life	0.51	0.57	0.25	0.33	0.35	0.25
Health	3.66	3.63	3.32	5.40	5.35	5.61
Sick/Accident	0.40	0.45	0.17	0.28	0.31	0.16
Retirement Savings	5.72	5.08	9.01	4.33	3.23	8.65
Pensions & retirement savings	5.43	4.73	8.98	3.88	2.67	8.62
Savings & thrift	0.30	0.35	0.23	0.46	0.56	0.03
Legally required 3/	7.47	8.07	4.87	8.19	9.93	5.31
Social security	4.82	5.12	3.77	5.46	5.79	4.18
Federal unemployment insurance	0.16	0.20	0.00	0.18	0.23	0.01
State unemployment insurance	0.71	0.85	0.24	0.66	0.80	0.13
Workers' compensation	1.71	1.88	0.86	1.64	1.83	0.92
Other legally required	0.21	0.24	0.60	0.21	0.25	0.10
Total benefits	25.15	25.07	25.57	25.82	25.27	28.05
Total hourly compensation ($)	12.20	11.69	13.08	15.78	14.88	20.60

Source: Unpublished data provided by the Bureau of Labor Statistics, using September 1980 weights.

The calculated change may seem smaller than would be expected. This is due to a change in the sample. The current establishments are different from those used in 1981.

*Railroad retirement was added to social security.

TABLE 6. COMPONENTS OF SOCIAL WELFARE LABOR COSTS AS PERCENT OF TOTAL COSTS

	USA (1988)	GERMANY (1984)	FRANCE (1984)	UK (1984)	HOLLAND (1984)	BELGIUM (1984)
STATUTORY OR LEGALLY REQUIRED						
SICKNESS & RETIREMENT	5.80	12.20	12.40	0.50	8.60	10.40
UNEMPLOYMENT	1.03	-	-	2.10	0.40	2.80
GUARANTEED REMUNERATION	-	2.60	-	1.10	4.80	0.70
OCCUPATIONAL ACCIDENT	1.83	1.30	2.10	0.40	-	2.00
FAMILY ALLOWANCES	-	-	4.90	-	2.50	4.80
OTHER STATUTORY	0.25	0.30	-	0.50	-	1.60
TOTAL	8.91	16.40	19.40	4.60	16.30	22.30
CUSTOMARY: CONTRACTUAL & VOLUNTARY						
INSURANCE (HEALTH)	5.66	0.10	0.20	-	0.80	0.10
RETIREMENT(1)	3.58	4.40	4.70	1.00	6.40	1.10
GUARANTEED REMUNERATION	-	-	0.60	-	0.20	-
UNEMPLOYMENT	-	-	2.80	-	-	-
FAMILY ALLOWANCES	-	0.10	0.10	-	-	-
OTHER CUSTOMARY	-	-	0.30	0.10	0.70	0.10
TOTAL	9.24	4.60	8.70	1.10	8.10	1.30
TOTAL SOCIAL WELFARE	18.15	21.00	28.10	5.70	24.40	23.60
CUSTOMARY AS % OF TOTAL SW	50.91	21.90	30.96	19.30	33.20	5.51

Source: Eurostat Population and Social Conditions, Series F, Rapid Reports, Labour Costs in Industries and Services, 1987

Unpublished Microfiche
USA Data: Employer Cost for Employee Compensation
U.S. Dept. of Labor News, June 16, 1988, Table 8.

(1) Includes life insurance and savings for the United States.

TABLE 7. STATUTORY AND CONTRACTUAL SOCIAL WELFARE COSTS AS PERCENT OF TOTAL LABOR COSTS BY CLASS OF WORKER IN FIRMS WITH 10 OR MORE EMPLOYEES

	STATUTORY			CONTRACTUAL		RATIO OF NON-MANUAL TO MANUAL
	MANUAL	NON MANUAL		MANUAL	NON MANUAL	
			GERMANY			
	(1)	(2)		(3)	(4)	(4/3)
1978	18.3	13.8		2.3	5.3	2.3
1981	18.4	13.5		2.5	5.5	2.2
1984	18.3	13.7		3.1	6.8	2.2
			UK			
1978	9.4	7.9		4.8	9.1	1.9
1981	9.9	8.5		5.2	9.5	1.8
			BELGIUM			
1978	22.4	16.5		0.5	4.3	8.6
1981	22.0	16.9		0.5	4.9	9.8
1984	24.0	20.1		0.3	3.1	10.3
			DENMARK			
1978	3.7	0.6		0.5	3.4	6.8
1981	3.6	1.0		0.2	3.1	15.5
1984	5.5	2.8		0.2	2.6	13.0
			FRANCE			
1978	21.0	16.8		5.5	7.2	1.3
			ITALY			
1978	21.7	24.3		5.5	1.0	0.2
1981	24.2	21.2		1.9	1.0	0.5
1984	33.8	28.8		1.5	1.0	0.7
			USA (1)			
1988	9.7	7.3		11.6	10.6	0.9
WC Prof	-	7.4		-	10.6	
WC Exec	-	6.8		-	9.2	
WC Ad Support	-	8.2		-	13.2	
BC Precision Prod	9.2	-		11.0	-	
BC Machine operator	9.7	-		12.0		
BC Transportation	10.6	-		11.9		
BC Cleaning/Helpers	11.2	-		11.1		

Source: (1) Employer Cost for Employee Compensation, U.S. Dept. of Labor News, June 16, 1988, Table 8.

Unpublished Tapes on Labor Costs in the European Community

TABLE 8. INDIRECT COSTS (1) AS A PERCENT OF TOTAL LABOR COSTS BY SIZE OF FIRM, 1984

	BELGIUM	FRANCE	ITALY	NTHLDS	UK
FIRM SIZE					
10-49	43.0	43.6	44.7	41.7	26.1
50-99	43.0	44.7	44.5	42.6	26.9
100-199	43.6	46.0	45.1	43.1	27.0
200-499	44.5	47.0	46.1	44.0	27.8
500-999	44.5	47.9	46.0	44.0	29.4
1000+	47.9	52.3	49.6	46.2	31.1

Source: Unpublished Microfiche from "The Survey of Labor Costs in Industry.

(1) Includes all non-wage labor costs plus other bonuses and gratuities.

TABLE 9. STRUCTURE OF LABOR COSTS AS A PERCENT OF TOTAL COSTS (1984)

	GERMANY	FRANCE	ITALY	UK
MOTOR VEHICLE INDUSTRY				
Direct Earning	52.0	49.9	50.9	68.6
Bonus & Premium	11.8	5.3	7.6	1.0
Total Direct Earnings	63.8	27.5	58.1	69.6
Pay for days not worked	12.5	11.7	15.1	12.4
Statutory	15.3	19.1	30.1	7.2
Customary (voluntary-contractual)	6.4	8.8	1.0	7.0
Total Statutory & Customary	21.7	27.9	31.1	14.2
Other Exp. of a Social Nature	0.9	2.9	2.5	0.8
Vocational Training	1.2	1.6	0.3	2.4
Taxes and Subsidies			8.8	
TEXTILE INDUSTRY				
Direct Earnings	60.9	55.8	55.8	75.9
Bonus & Premium	6.5	4.1	7.8	0.9
Total Direct Earnings	67.4	59.9	63.6	76.8
Pay for days not worked	11.6	9.5	10.1	9.5
Statutory	17.3	20.5	33.0	9.0
Customary (voluntary-contractual)	2.1	6.8	0.8	3.2
Total Statutory & Customary	19.4	27.7	33.8	12.2
Other Exp. of a Social Nature	0.4	1.4	0.6	0.8
Vocational Training	1.0	1.2	0.3	0.7
Taxes and Subsidies	-	-	9.5	0.1